

Question from Rep. Berg

- 1. My question is related to the importance of small business. In my own experience, when you tax small business, that is a negative for the business, for the employees and for the economy. Most small businesses are pass-through entities, so raising the personal income tax raises taxes on a majority of small businesses. So, my question to you is why would we increase the taxes on small business? And, how is that good for our economy?**

The Administration recognizes the importance of small businesses to the health and growth of the U.S. economy. President Obama has signed into law more than 17 tax cuts for small business. In addition, his FY2012 Budget proposes a large permanent increase in the amount of investment that small businesses can expense and proposes to eliminate permanently any taxation of capital gains on qualifying small business stock, providing entrepreneurs and small businesses further encouragement and reward for new investment.

The Administration believes that these types of targeted incentives are more cost-effective in helping small business contribute to economic growth than is extending the 2001 and 2003 cuts in the top two tax brackets for those with the highest incomes (over \$250,000 for married taxpayers filing joint returns).

Moreover, although the majority of small businesses are indeed organized as pass-through entities, only about 3 percent of small business owners fall in the top two tax brackets.